

# Maricopa County, Arizona

## Internal Audit Performance Report

Fiscal Year 2012



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***Do the Right Things Right!***

# From the County Auditor's Desk—Fiscal Year 2012



**To:** Max W. Wilson, Chairman, Board of Supervisors  
Fulton Brock, Supervisor, District I  
Don Stapley, Supervisor, District II  
Andrew Kunasek, Supervisor, District III  
Mary Rose Wilcox, Supervisor, District V

**From:** Ross L. Tate, County Auditor

**Date:** October 29, 2012

Fiscal Year (FY) 2012 was a period of productivity and major achievement for Internal Audit. We appreciate the Board of Supervisors, the Citizen's Audit Advisory Committee, and County administration for their strong, continued support of the County's audit function.

## **Significant Work**

We published 24 audit reports. Some of the significant reports we issued are shown below. For a complete summary of our work, see Appendix C on page 24.

- ◆ Countywide Procurement
- ◆ Housing Authority of Maricopa County
- ◆ Office Depot Contract
- ◆ Payroll System Post Implementation
- ◆ Planning and Development
- ◆ Sheriff's Office Jail Management System
- ◆ Sheriff's Office Patrol Service Agreements
- ◆ Sheriff's Office Payroll

## **Internal Audit Issued 138 Recommendations**

Internal Audit provides independent analysis and assurance that operations are efficient, economical, and effective. We track implementation of audit recommendations that identify efficiency gains, provide economical guidance, improve operational effectiveness, and ensure controls are in place to prevent fraud, waste, and abuse.

In FY 2012, we made 138 recommendations, of which 136 (99%) were agreed to by the audited agencies.

## **Internal Audit Achieves Audit Excellence**

For the third year in a row, Internal Audit received the national Government Finance Officers Association Award for Outstanding Achievement in Popular Annual Financial Reporting. We have produced the Citizens Financial Condition Report annually since FY 1998. See page 5.

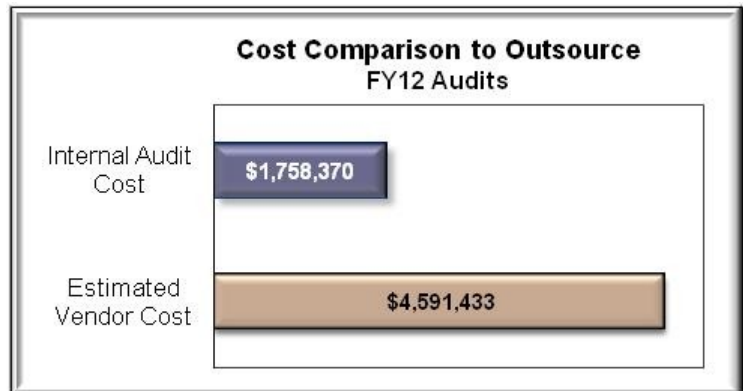


## **Internal Audit is a Good Investment**

In addition to strengthening the County's internal control environment, Internal Audit identifies hard dollar recoveries and cost savings, while reducing various types of risks.

FY 2012 audit work would have cost more than twice as much if external auditors had been used instead of Internal Audit staff.

The average cost per audit hour for an external auditor was \$185, compared to \$74 for an internal auditor (includes overhead). See page 13.



## **Emphasizing the Need for a Strong Internal Audit Function**

Bond rating agencies Fitch and Moody's consider the existence of an internal audit function a key component of strong management practices.

Moody's uses the Citizens Financial Condition Report prepared by Internal Audit to evaluate trends. Moody's considers the County's audit function a deterrent to fraud.

**Internal Audit strengthens  
Maricopa County by  
promoting strong internal controls,  
deterring fraud, and  
initiating cost recoveries**

## **Credentials for a Strong Internal Audit Function**

Internal Audit staff members invest the resources to further their education by studying for professional certifications and graduate degrees, resulting in a more qualified staff. In addition, auditors are involved in leadership positions in various professional organizations (see page 17). In FY 2012, Ross Tate was elected President of the Association of Local Government Auditors (ALGA).

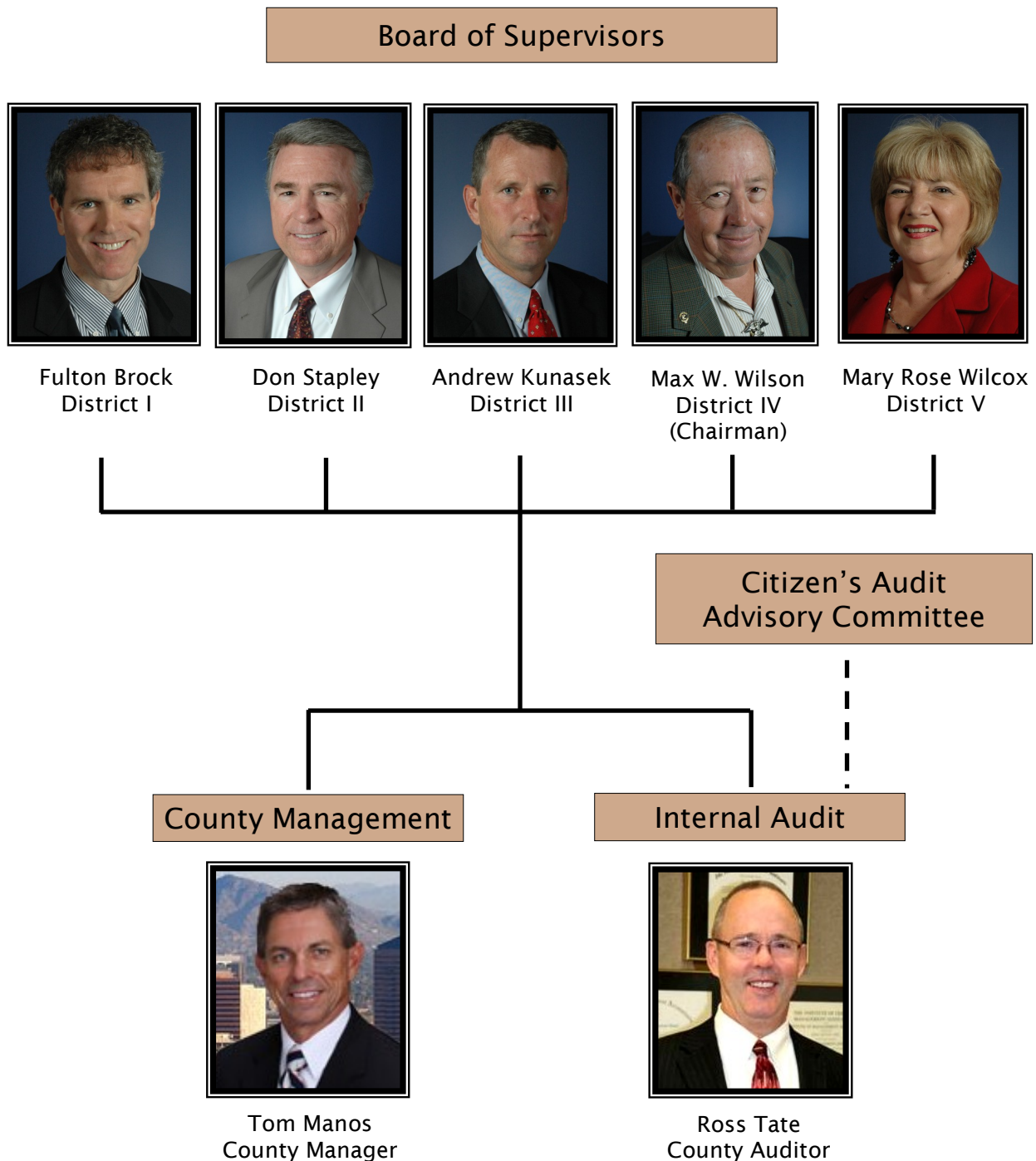
ALGA is an international organization committed to supporting and improving local government auditing through advocacy, collaboration, education and training, and upholding the highest standards of professional ethics.

Mr. Tate presided over the 24th Annual Conference in Tempe, Arizona in May 2012. Internal Audit was instrumental in winning the bid for that conference, which annually attracts hundreds of auditors from around the nation, Canada, and other countries.



# Audit Department Independence

The Maricopa County Internal Audit Department is effectively organized, reporting directly to the Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.



The Citizen's Audit Advisory Committee's primary function is to assist the Board of Supervisors in fulfilling its oversight responsibilities. The Committee accomplishes this function by reviewing the County's financial information, the established systems of internal controls, and the audit process.

See Audit Committee Biographies (Appendix F, page 34) and Audit Committee Charter (Appendix G, page 35).

### Citizen's Audit Advisory Committee



Ralph Lamoreaux  
District I



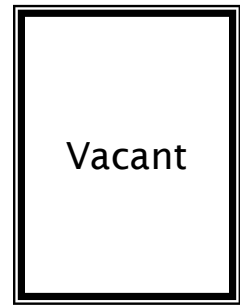
Janet Secor  
District II



Matthew Breecher  
District III  
(Chair)



Ramon Ramirez  
District IV



District V



Shelby Scharbach  
Maricopa County  
Assistant County  
Manager



David Benton  
Maricopa County  
Attorney's Office



Ross Tate  
Maricopa  
County Auditor



Jay Zsorey  
Office of the  
Auditor General

## Awards

### GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting



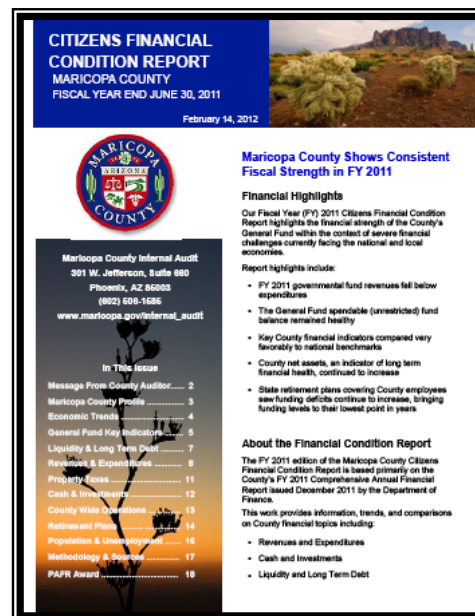
For the third year in a row, the Government Finance Officers Association (GFOA) presented Internal Audit with the Award for Outstanding Achievement in Popular Annual Financial Reporting.

This is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government popular reports.

In order to receive this award, a government unit must publish a Popular Annual Financial Report. The report must conform to program standards of creativity, presentation, understandability, and reader appeal. Internal Audit received the award for its Citizens Financial Condition Report for FY 2011.

GFOA is a professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906.

We have produced the Citizens Financial Condition Report annually since FY 1998.



Chairman **Max Wilson**, Maricopa County Board of Supervisors, joins Internal Audit to celebrate the GFOA Award for Outstanding Achievement In Popular Annual Financial Reporting

## ALGA President's Award



The Association of Local Government Auditors (ALGA) presented the President's Award to Ross Tate, County Auditor, for his leadership over ALGA. With over 2,000 members and growing, ALGA is the professional organization of choice for local government audit professionals.

Tate presided over the 24th Annual Conference in Tempe, Arizona in May 2012. Internal Audit was instrumental in winning the bid for this four-day conference, which attracted over 300 auditors from around the nation, Canada, and other countries.

*Ross Tate, County Auditor, welcomes conference attendees to Tempe, Arizona*



*Tate looks on as Tom Manos, County Manager, gives opening remarks*



*Tate thanks Manos for speaking at the conference*



*Tate receives the President's Award from Drummond Kahn, incoming president*



*Chairman **Max Wilson**, Maricopa County Board of Supervisors, joins Internal Audit to celebrate the ALGA President's Award*



## Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting  
*Citizens Financial Condition Report*

2012, 2011, 2010



**Andrew Kunasek,**  
2011 Chairman,  
joins Internal Audit  
to celebrate the  
GFOA Award  
and the  
ALGA Knighton  
Bronze Award

## Association of Local Government Auditors



2010 Best Audit Report: Knighton Bronze Award  
*Vehicle Usage Review*

2008 Best Audit Report: Knighton Bronze Award  
*Air Quality Audit*

2008 Website Gold Award  
*Internal Audit Website*

2007 Best Audit Report: Knighton Gold Award  
*Environmental Services Audit*

**Don Stapley,**  
2010 Chairman,  
joins Internal Audit  
to celebrate the  
NACo Award and  
GFOA Award





## Association of Government Accountants

2006 Certificate of Excellence  
*Service Efforts and Accomplishments*



## National Center for Civic Innovation

2007 Trailblazer Award  
Government Performance Reporting  
Demonstration Grant Program  
*Service Efforts & Accomplishments*



**Max Wilson,**  
2009 Chairman,  
joins Internal Audit  
to celebrate the  
NACo Awards and  
the ALGA Knighton  
Bronze Award

## National Association of Counties

2010 Achievement Award: *Tech Tips Training Program*

2009 Best of Category Award & 2009 Achievement Award: *Internal Controls Video Program*

2006 Achievement Award: *Internet Usage Risk Management*



**Andrew Kunasek,**  
2008 Chairman, joins  
Internal Audit  
to celebrate the  
ALGA Knighton Gold  
Award and the ALGA  
Website Award



## The Institute of Internal Auditors

2006 Recognition of Commitment  
*Professional Excellence, Professional Quality, Professional Outreach*

# Performance Results

## Primary Strategic Goals

Internal Audit's goals are designed with the Board of Supervisors (Board) in mind. Internal Audit provides information so the Board can make informed decisions on the issues they deem most important, and can provide fiscally responsible public services to citizens.

### Customer Satisfaction

Our goal is to maintain a 100% customer satisfaction rating from our primary customers: the Board, Chiefs of Staff, and Audit Committee members.

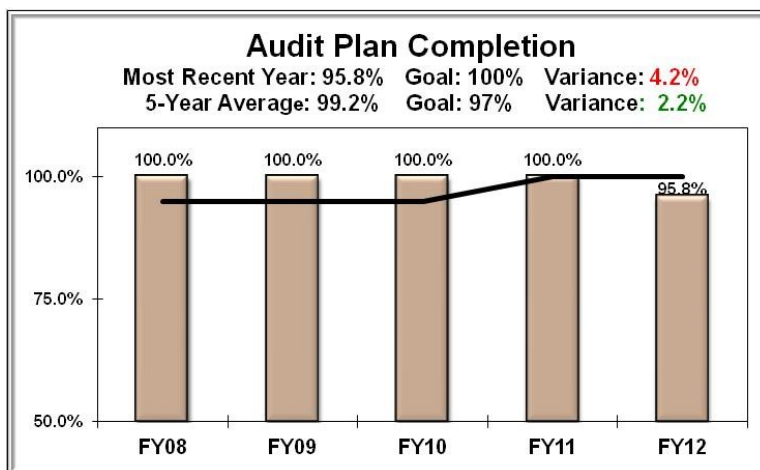
For the past seven years we have achieved 100%.



### Audit Plan Completion

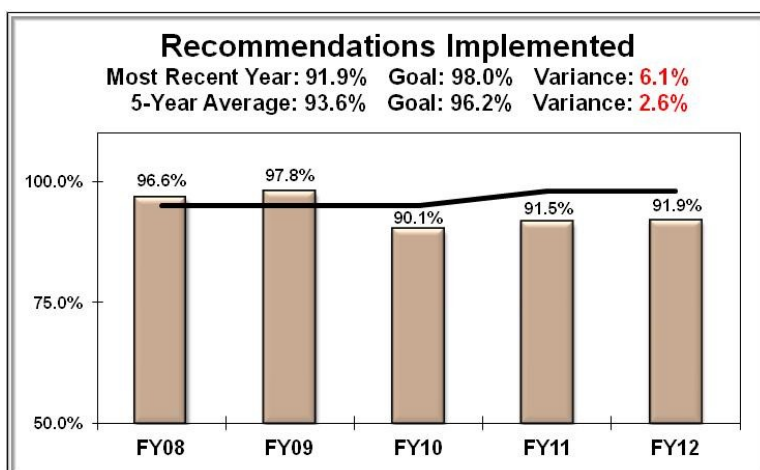
We strive to complete 100% of the Board-Approved Audit Plan and report this information to the Board no later than 90 days after fiscal year-end.

We completed 24 out of 25 projects on time.



### Recommendations Implemented

Change and improvement often begin with audit recommendations. Our goal is to facilitate the implementation of 98% of audit recommendations within three years of being reported.

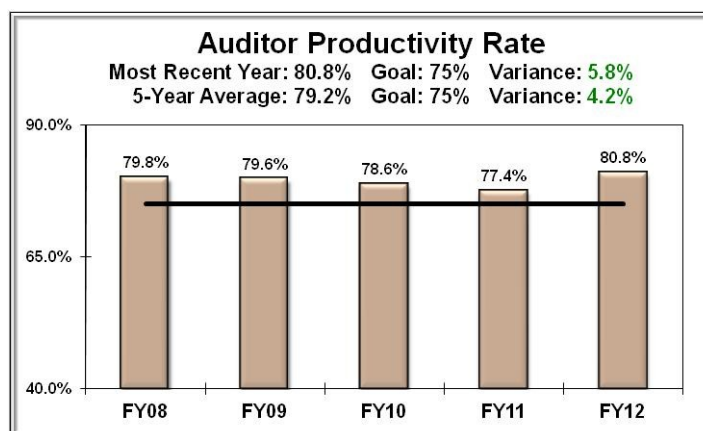


## Secondary Operational Goals

### Productivity

Productive time is considered time spent working directly on audits; our goal is to maintain a 75% productivity rate, which is an industry average.

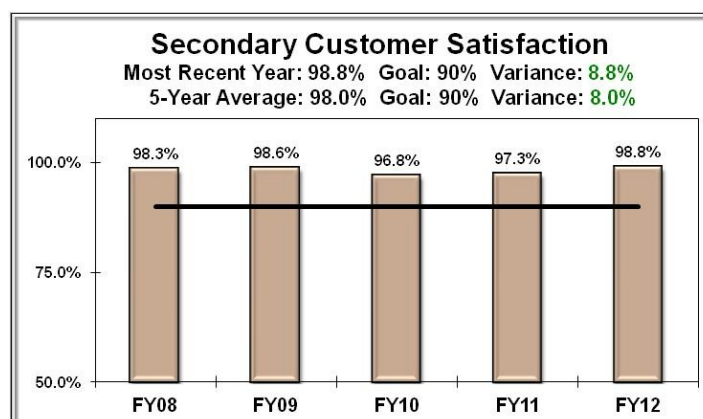
Other time, such as staff meetings, training, vacation, and holidays, is not considered productive time.



### Secondary Customer Satisfaction

With each audit deliverable, we send satisfaction surveys to the County Manager, Deputy County Manager, Assistant County Managers, and Department Directors.

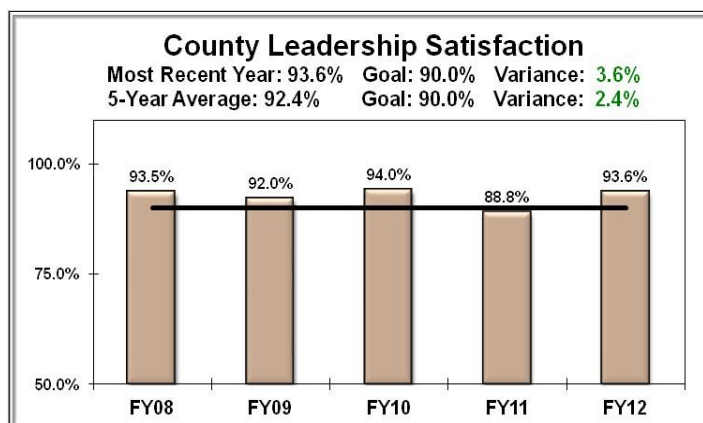
Based on scores, comments, and interaction, we are able to validate that our secondary customers believe we are doing a good job, and that we are exceeding expectations.



### County Leadership Satisfaction

Department Directors participate in an annual County satisfaction survey.

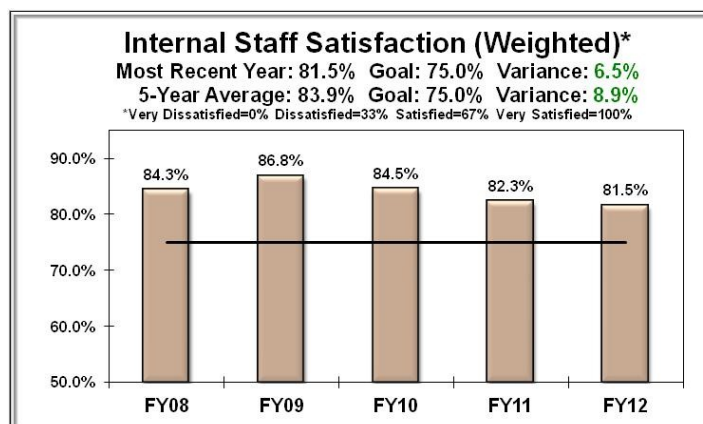
Although they are not our primary customers, we continue to monitor feedback from Department Directors, and implement improvements whenever possible.



### Internal Staff Satisfaction

Internal Audit has consistently maintained a high employee satisfaction rate based on survey results by the Office of Research and Reporting.

In FY 2012, Internal Audit staff had the third highest employee satisfaction rate among all County departments.



## Recoveries & Savings

### Potential Dollar Recoveries & Identified Savings

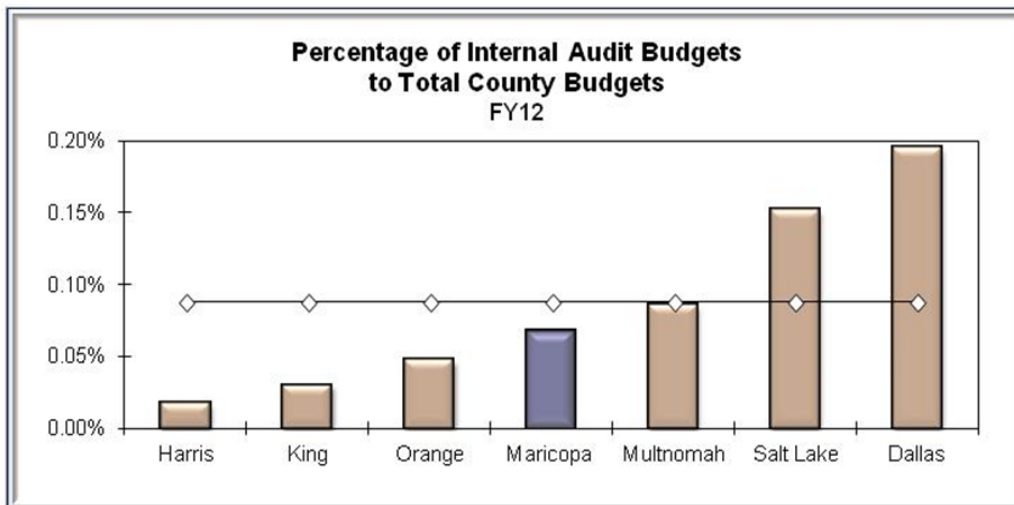
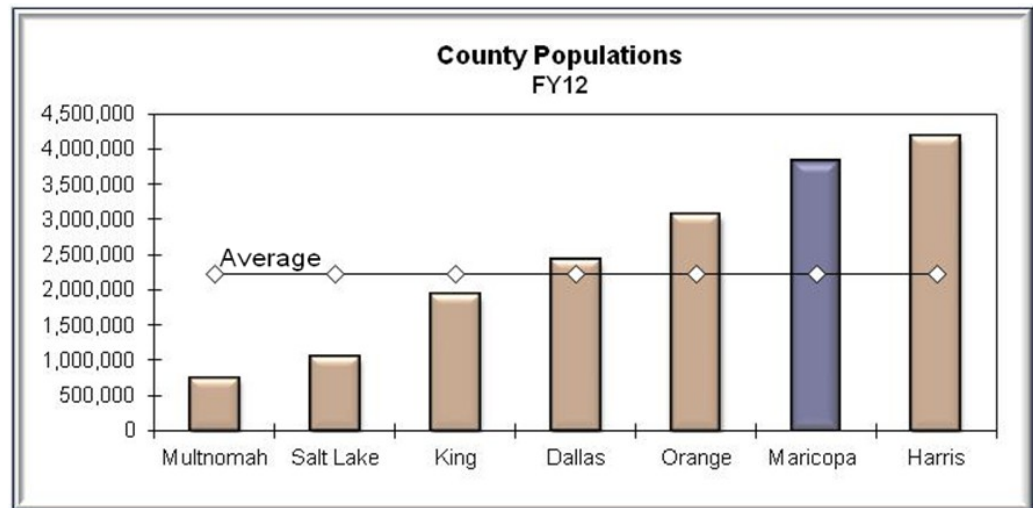
The following table lists FY 2012 audits with a quantifiable economic impact, including actual and identified increases in revenues, cost recoveries, and other savings. For additional information on projects that have yielded benefits over time, see Audit Impact (Appendix E, page 33).

<b>Audit</b>	<b>Impact</b>	<b>Description</b>
Office Depot Contract	\$5,366,110	Actual (\$1.8M) and estimated (\$3.6M) overpayments resulting from noncompliance with low-price guarantees
Sheriff's Office Patrol Intergovernmental Agreements	\$526,732	Understated costs and inadequate billing rates to cities, towns, and a district
Sheriff's Office Payroll	\$127,668	Overpayments for shift differentials and other payroll discrepancies
Justice Court Minimum Accounting Standards	\$29,268	Cost savings attained by not using outside consultants for this mandated review (dollars reflect the variance between internal and external costs)
Clerk of Superior Court Minimum Accounting Standards	\$24,070	Cost savings attained by not using outside consultants for this mandated review (dollars reflect the variance between internal and external costs)
Single Audit Review	\$14,520	Cost savings attained by not using outside consultants for this mandated review (dollars reflect the variance between internal and external costs)
Payroll System Post Implementation	\$2,953	Unapproved maintenance charges
Court Tower Construction Contract	\$1,212	Disallowed bereavement pay charged to the project
<b>Total Identified Savings:</b>	<b>\$6,092,533</b>	

# Budget & Benchmarks

## County Population

The chart to the right compares Maricopa County's population to six benchmark counties.



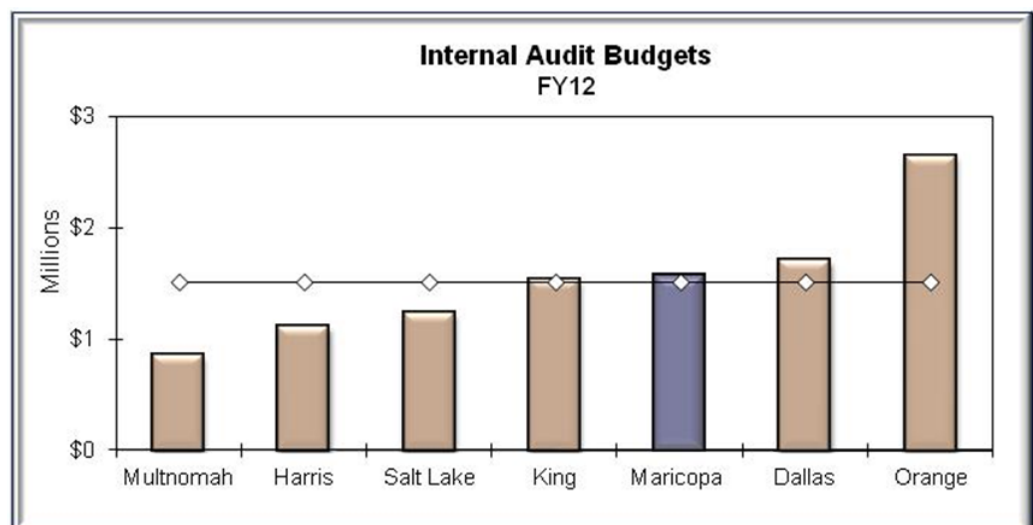
## County Budget

The chart to the left reflects what percentage the county's audit budget is when compared to the county's total budget.

## Internal Audit Budget

Maricopa County's Internal Audit costs are about average compared to other benchmark counties.

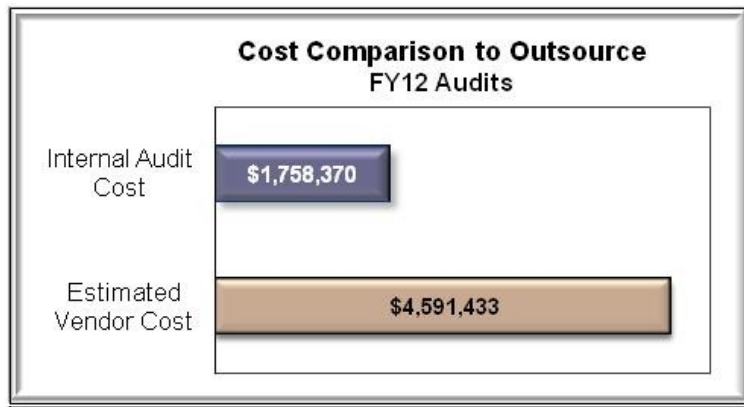
Some counties include co-sourcing dollars within their budgets; these were deducted from the graph for an accurate comparison.



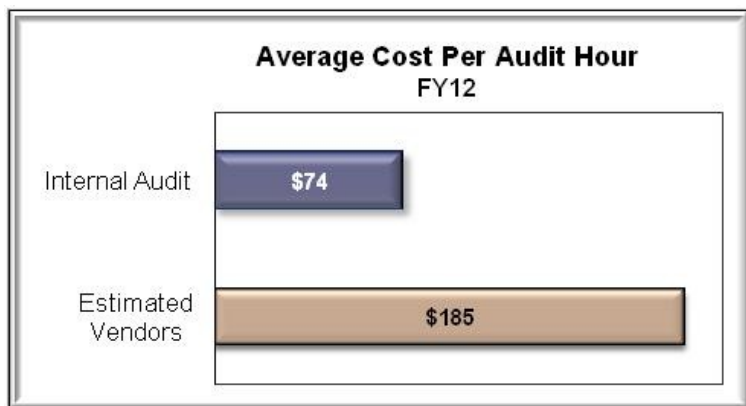
# Internal Audit—A Good Investment

## Our Cost vs. the Cost to Outsource the Audit Function

FY 2012 audit work would have cost the County more than twice as much if external auditors had been used instead of Internal Audit staff.

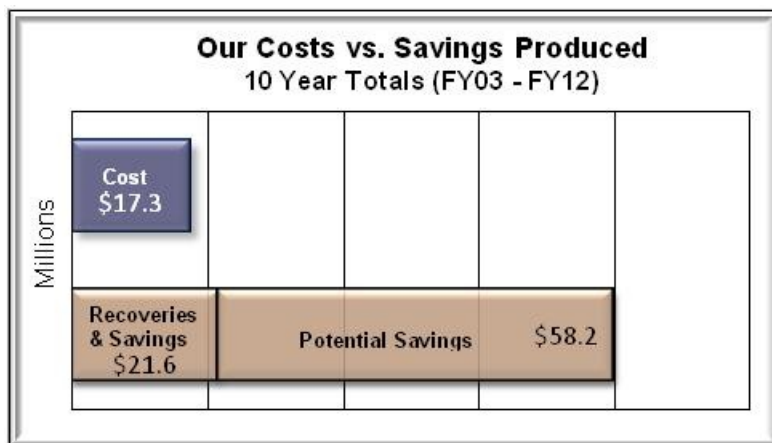


The average cost per audit hour for an external auditor was \$185 compared to \$74 for an internal auditor (includes overhead).



## Our Cost vs. Cost Savings to the County

Over the past 10 years, Internal Audit produced \$21.6 million in savings (and \$58.2 million in potential savings/cost avoidance) to the County. During the same period, our costs (including co-sourcing dollars) totaled \$17.3 million, resulting in a net savings of \$4.3 million to the County.



**Internal Audit is a Good Investment**

Our savings averaged \$2.2 million per year compared with average annual resources of approximately \$1.7 million.

Internal Audit identifies potential savings to the County by detecting weak controls that can lead to waste and abuse, and by deterring fraud.

A well run internal audit function is an investment that benefits County management and citizens.

# Customer Feedback

During FY 2012, our customers told us ...

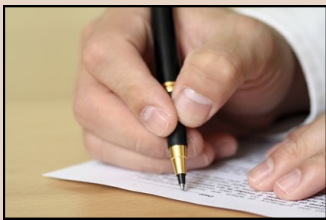
"I must say that this certainly confirms what a good idea it is to have regular audits, because it points out oversights in our procedures that we may then rectify."

"Excellent report. Very useful for me."

"This was a good, thorough look—certainly much broader in scope than what I expected. Thanks for all of your efforts on this! "

"We appreciate the professionalism of your staff."

"Very helpful in understanding progress and gauging citizens financial condition.."



"Always a first-rate team in Internal Audit!"

"Appreciate the website, very informative."

"Your team was excellent as always to work with."

"Thank you! Quite helpful and let's me know degree of compliance, etc."

"We discussed the items she found as she was finding them; she was very helpful throughout the process."

"Enjoyed working with the auditor on this project."

"Again, glad you had a productive visit—it certainly helped us out!"

"Thank you for the message and reports. Very timely since I have a site visit this morning."

"Thanks much—and, as usual, good work from the Internal Audit department."

"Thank you for doing this work." "Thanks. Good working with you again."

## Countywide Audits

Countywide audits allow for broader coverage with fewer resources. Countywide audits focus on selected areas (e.g., contracts, network security) and/or transactions (e.g., cash handling, expenditures, travel) that cross agency boundaries. FY 2012 Countywide coverage included:

- ◆ Contracts
- ◆ Payroll
- ◆ Procurement
- ◆ Network Security
- ◆ Performance Measures
- ◆ Single Audit

## IT Audit Services

Information Technology (IT) is vital to County operations and requires a significant investment in resources. In FY 2012 the County spent \$121 million on IT hardware, software, security, and maintenance.

Knowledgeable and experienced IT auditors provide valuable insight into whether County IT systems are achieving good results and are supporting County goals. IT Auditors routinely review:



- ◆ **IT General Controls** – protecting access to critical systems and guarding against intrusion
- ◆ **Software Controls** – ensuring software is processing data completely and accurately
- ◆ **Network Security** – protecting the network against inappropriate or unauthorized access
- ◆ **System Development** – assessing whether internal and vendor developed systems are meeting County needs
- ◆ **IT Governance** – evaluating whether IT projects support County and agency strategic goals

## Volunteer Work

### AGA Fraud Prevention Work Group



Eve Murillo, Deputy County Auditor, was invited to participate with federal, state, and local professionals from across the nation to work on the Association of Government Accountants' (AGA) Fraud Prevention ToolKit Work Group in FY 2011. AGA reports that the Task Force “developed a state-of-the-art, online Fraud Prevention ToolKit designed to help officials at all levels of government to prevent, detect, and deter fraud. It was released on December 1, 2011.”

### Audit Book Reviews

Ronda Jamieson, Senior Auditor, was invited to review and test questions written for two self-study audit books: The Yellow Book Interpreted, and Essential Skills for the Government Auditor. Previously, Jamieson reviewed five other self-study audit books, which are written by a well-known author that specializes in government auditing.



## Presentations / Speaking Engagements

### 2012 Annual ALGA Conference

In addition to Ross Tate, County Auditor, speaking as part of his presidential duties, Richard Chard, Deputy County Auditor, and Patra Carroll, IT Audit Supervisor, presented at the Association of Local Government Auditors (ALGA) conference. Chard presented “Audits to Go” and Carroll presented “Auditing Information Systems Implementations.”



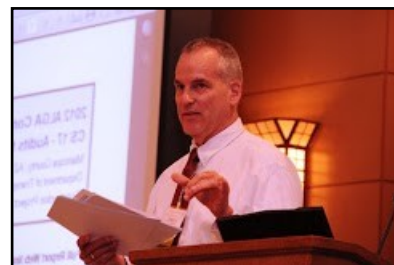
*Ross Tate*

### Information Systems Audit and Control Association

Patra Carroll presented “IT Control Practices” to Arizona State University accounting graduate students.

### Institute of Internal Auditors

Patra Carroll presented “Systems Implementations” to the Tucson chapter.



*Richard Chard*

### Maricopa County Supervision 101 Training

Ross Tate presented “Internal Controls” to County supervisors at the quarterly trainings.

### Regional Partnership Auditor Training

“How to Audit a Library” was presented by Stella Fusaro, Audit Supervisor; Toni Sage, Law Enforcement Audit Supervisor; Scott Jarrett, Senior Law Enforcement Auditor; and Lisa Scott, Senior Data Analyst.



*Patra Carroll*

## Published Articles

### Articles Featured in National Publications

**Local Government Auditing Quarterly (Summer 2012)**

*President’s Message* by Ross Tate

**Local Government Auditing Quarterly (Spring 2012)**

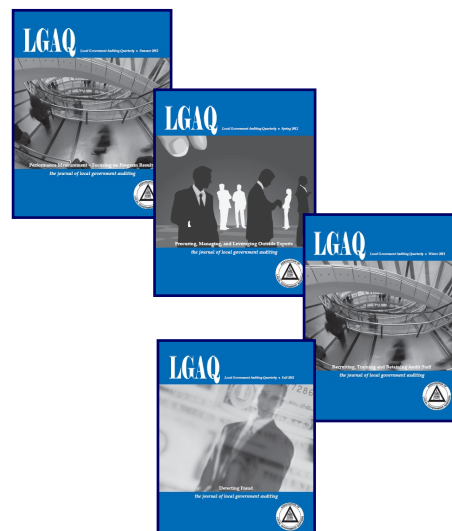
*President’s Message* by Ross Tate

**Local Government Auditing Quarterly (Winter 2011)**

*President’s Message* by Ross Tate

**Local Government Auditing Quarterly (Fall 2011)**

*President’s Message* by Ross Tate



## Appendix A: Professional Development

Internal Audit staff members have extensive knowledge of auditing methods and techniques, and specialized training in information systems and accounting.

Many hold advanced professional certifications and graduate degrees, as shown in the accompanying table.

The total number of professional certifications held by Internal Audit staff is 54 (FY 2012).

<b>Certifications and Graduate Degrees Held by Maricopa County Internal Audit Staff</b>	<b>Number Held</b>
Certified Law Enforcement Auditor (CLEA)	11
Certified Internal Auditor (CIA)	6
Certified Public Accountant (CPA)	6
IT Service Management (ITIL)	5
Certified Government Auditing Professional (CGAP)	4
Certified Fraud Examiner (CFE)	3
Master of Business Administration Degree (MBA)	3
Master of Public Administration Degree (MPA)	3
Certified Government Financial Manager (CGFM)	2
Certified Information Systems Auditor (CISA)	2
Certified Information Technology Professional (CITP)	2
ISO/IEC 20000 Foundation	2
Master of Science in Information Management (MSIM)	2
Certified ACL Data Analyst (ACDA)	1
Certified Management Accountant (CMA)	1
Master of Accounting	1
<b>Total:</b>	<b>54</b>

### Congratulations on Your Achievements!

#### Master of Science in Information Management (MSIM)



*Jacob Pacini*

#### Certified Government Financial Manager (CGFM)



*Stephanie Lopez*

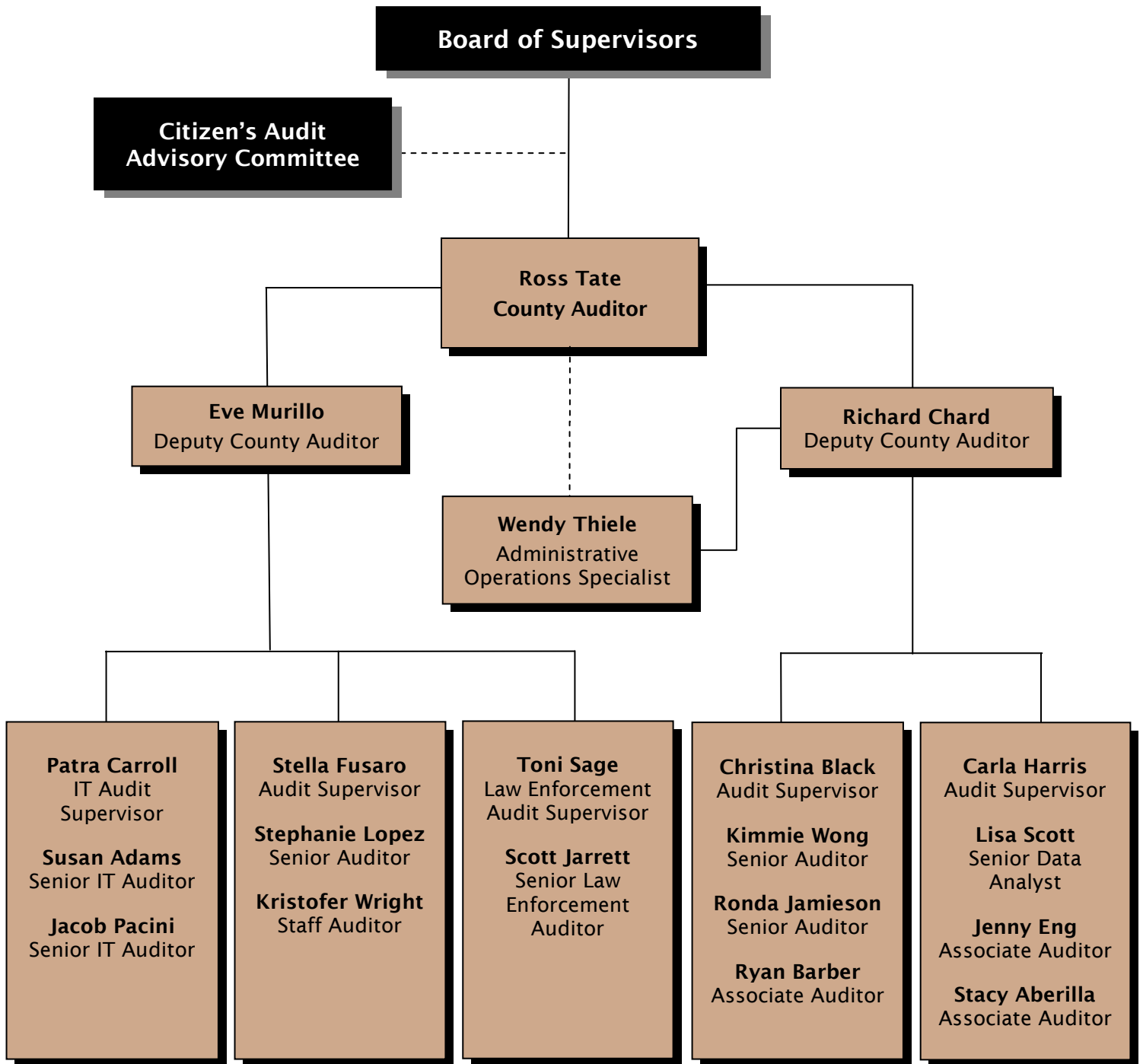
Internal Audit staff members actively participate in a variety of audit-related professional organizations. Some serve as committee chairs and governing board members.

<b>Professional Organizations</b>
<p>American Institute of Certified Public Accountants (AICPA)  Arizona City/County Management Association (ACMA)  Arizona Society of Certified Public Accountants (ASCPA)  Association of Certified Fraud Examiners (ACFE—National and Arizona Chapter)  Association of Government Accountants (AGA)  Association of Local Government Auditors (ALGA)  Audit Command Language (ACL) Users Group  Information Systems Audit and Control Association (ISACA)  Institute of Internal Auditors (IIA—National and Phoenix Chapter)  Institute of Management Accountants (IMA)  International City/County Management Association (ICMA)  International Law Enforcement Auditors Association (ILEAA)  National Association of Construction Auditors (NACA)</p>

<b>Leadership Roles in Professional Organizations</b>	<b>Positions Held</b>
Association of Local Government Auditors (ALGA):	
President	1
Advocacy Committee	1
Awards Committee	1
Conference Committee	1
ALGA's Liaison to ILEAA	1
Audit Command Language (ACL) Users Group:	
Secretary/Treasurer	1
Information Systems Audit and Control Association (ISACA):	
Co-Chair, Academic Affairs Committee	2
Academic Affairs Committee	2
Registration Coordinator	1
Institute of Internal Auditors (IIA):	
Secretary	1
<b>Total:</b>	<b>12</b>

## Appendix B: Organizational Chart & Staff Biographies

### FY 2012 Internal Audit Department Organizational Chart





### **Ross L. Tate, County Auditor**

Mr. Tate is a Certified Internal Auditor, Certified Management Accountant, and Certified Government Financial Manager. He has a bachelor's degree from Brigham Young University in business operations and systems analysis, with 26 years of professional internal auditing experience. Mr. Tate joined the Maricopa County Internal Audit Department in 1989 and has been County Auditor since 1994. He is currently serving as Past President of the Association of Local Government Auditors, an international audit organization.



### **D. Eve Murillo, Deputy County Auditor**

Ms. Murillo is a CPA, Certified Fraud Examiner, Certified Law Enforcement Auditor, Certified Information Technology Professional, and is certified in ITIL v3 Foundation and ISO/IEC 20000. She has a bachelor's degree from the University of Illinois, a master's degree from the Florida Institute of Technology, and 20 years of accounting and auditing experience. She is a member of AICPA, Association of Certified Fraud Examiners, Institute of Internal Auditors, and is a committee chair for the Information Systems Audit and Control Association.



### **Richard L. Chard, Deputy County Auditor**

Mr. Chard is a CPA. He graduated from the University of Redlands with a degree in history, sociology, and political science, with postgraduate work in accounting and public administration. Mr. Chard worked as a financial auditor for CPA firms in Los Angeles and Phoenix before joining the Maricopa County Department of Finance in 1991. For the past 16 years, he has enjoyed working for the County Auditor. Mr. Chard is a long standing and active member of Toastmasters International.



### **Carla Harris, Audit Supervisor**

Ms. Harris is a CPA, Certified Internal Auditor, and Certified Fraud Examiner. She has a bachelor's degree in business administration with a major in accounting. Ms. Harris has more than 20 years of experience in internal auditing and accounting. She is a former board member and training director for the Arizona Chapter of the Association of Certified Fraud Examiners, and is a member of the National Chapter of the Association of Certified Fraud Examiners and the Institute of Internal Auditors.



### **Christina Black, Audit Supervisor**

Ms. Black is a Certified Internal Auditor, Certified Government Auditing Professional, and Certified Law Enforcement Auditor with over 16 years of professional internal audit experience and 10 years of accounting and revenue auditing experience. She has a bachelor's degree in accounting from Missouri Western State College. Ms. Black serves as a secretary for the Institute of Internal Auditors and is a member of the Association of Certified Fraud Examiners and Association of Local Government Auditors.



### **Stella J. Fusaro, Audit Supervisor**

Ms. Fusaro is a Certified Internal Auditor, Certified Government Auditing Professional, Certified Fraud Examiner, and Certified Law Enforcement Auditor with over 20 years of auditing experience. She has a bachelor's degree in business administration with an accounting concentration from California State University, Fullerton. Ms. Fusaro is a member of the Association of Certified Fraud Examiners, Association of Local Government Auditors, and Institute of Internal Auditors.



### **Patra E. Carroll, IT Audit Supervisor**

Ms. Carroll is a CPA, Certified Internal Auditor, Certified Information Technology Professional, and Certified Law Enforcement Auditor with 17 years of public sector performance and IT auditing experience. She is ITIL v3 Foundation and ISO 20000 Foundation certified. She has a bachelor's degree from Arizona State University and a master's degree in information management. Ms. Carroll serves on the Association of Local Government Auditors Advocacy Committee and the local ISACA Academic Relations Committee.



### **Toni Sage, Law Enforcement Audit Supervisor**

Ms. Sage is a Certified Law Enforcement Auditor. She has a bachelor's degree in psychology from Brooklyn College of the City University of New York, an MBA from Fairleigh Dickinson University, and postgraduate work in public administration at Arizona State University. She has 13 years of IT management experience in the private sector and 6 years of performance, IT and law enforcement audit experience at Maricopa County. She is a member of ALGA, IIA, and ILEAA and served on the 2012 ALGA annual conference committee.



### **Kimmie Wong, Senior Auditor**

Ms. Wong is a Certified Law Enforcement Auditor. She has a bachelor's degree in business administrative services from Arizona State University and a master's degree in public administration from Western International University. She has a business background and professional internal auditing experience. Ms. Wong is a member of the Association of Local Government Auditors, Association of Certified Fraud Examiners, Institute of Internal Auditors, and International Law Enforcement Auditors Association.



### **Lisa Scott, Senior Data Analyst**

Ms. Scott is a Certified Information Systems Auditor, Certified ACL Data Analyst, Certified Law Enforcement Auditor, and is certified in ITIL v3 Foundation. She has a bachelor's degree in computer science from Jacksonville State University and a post-baccalaureate certificate in accountancy from Arizona State University. Ms. Scott is a member of the Association of Local Government Auditors, Information Systems Audit and Control Association, and International Law Enforcement Auditors Association.



### **Ronda Jamieson, Senior Auditor**

Ms. Jamieson is a CPA, Certified Government Auditing Professional, and Certified Law Enforcement Auditor. She has a bachelor's degree in accounting from Rocky Mountain College, Montana. She has ten years of governmental auditing and eight years of general ledger experience. Ms. Jamieson is a member of the Institute of Internal Auditors, Arizona Society of Certified Public Accountants, Association of Certified Fraud Examiners, and the International Law Enforcement Auditors Association.



### **Stephanie Lopez, Senior Auditor**

Ms. Lopez is a CPA with over four years of governmental auditing experience. She has a bachelor's degree in business administration with an accounting concentration and a master's degree in accounting from the University of Arizona. Ms. Lopez is a member of the AICPA and the Arizona Society of CPAs. Ms. Lopez recently passed all three examinations for the Certified Government Financial Manager designation and is awaiting her official notice of certification.



### **Susan Adams, Senior Information Technology Auditor**

Ms. Adams is a Certified Information Systems Auditor and a Certified Law Enforcement Auditor. She has a bachelor's degree in accounting from Utah State University and a master's degree in business administration from the University of Utah. She has 19 years of professional auditing experience, with 13 years as an information systems auditor. Ms. Adams serves on the ISACA Phoenix Chapter's Academic Relations committee and is a member of the Association of Local Government Auditors.



### **Jacob Pacini, Senior Information Technology Auditor**

Mr. Pacini started working for the Maricopa County Department of Finance in February 2006. Mr. Pacini made the transition to Internal Audit in July 2011. Mr. Pacini has a bachelor's degree in accounting and a master's degree in information management from the W.P. Carey School of Business at Arizona State University in Tempe Arizona. Mr. Pacini is a member of ISACA and ILEAA. He is currently working towards the Certified Information System Auditor certification.



### **Scott Jarrett, Senior Law Enforcement Auditor**

Mr. Jarrett is a Certified Internal Auditor, Certified Government Auditing Professional, Certified Law Enforcement Auditor, and is certified in ITIL v3 Foundation. He has a bachelor's degree in accounting from Arizona State University. He served four years in the United States Coast Guard and has six years of professional internal auditing experience. Mr. Jarrett is a member of the Institute of Internal Auditors and he participates on the Awards Committee for the Association of Local Government Auditors.



### **Jenny M. Eng, Associate Auditor**

Ms. Eng started as an Internal Audit intern in May of 2007 and became an auditor in October 2007. She has a bachelor's degree in accountancy and computer information systems from the W.P. Carey School of Business at Arizona State University. Ms. Eng is a member of the Institute of Internal Auditors and the Association of Local Government Auditors. She is currently working towards the Certified Internal Auditor and Certified Government Auditing Professional certifications.



### **Stacy Aberilla, Associate Auditor**

Ms. Aberilla joined Internal Audit in October 2010. She has a master's degree in public administration from the Arizona State University School of Public Affairs and was a member of the Pi Alpha Alpha national honor society. She graduated from ASU magna cum laude with a bachelor's degree in sociology and minor in women's studies. She formerly worked as an auditor in the credit services industry. She is a member of the Association of Government Accountants, the Association of Local Government Auditors, and the Institute of Internal Auditors.



### **Ryan Barber, Associate Auditor**

Mr. Barber joined Internal Audit in January 2012. He has a bachelor's degree in accounting from Brigham Young University – Idaho. He has one year of public accounting experience and three years of government auditing experience. Mr. Barber is a member of the Institute of Internal Auditors, the Association of Local Government Auditors, and the Arizona Chapter of the Association of Certified Fraud Examiners. He is currently working towards the Certified Internal Auditor certification.



### **Kristofer Wright, Staff Auditor**

Mr. Wright joined Internal Audit in January 2012. He has a master's degree in public administration from the Arizona State University School of Public Affairs, where he was a member of the Phi Kappa Phi national honor society. He graduated from Brigham Young University with a bachelor's degree in history. He is a member of the Association of Government Accountants, Association of Local Government Auditors, and the Institute of Internal Auditors. He is currently working towards the Certified Internal Auditor certification.



### **Wendy Thiele, Administrative Operations Specialist**

Ms. Thiele joined Internal Audit in December 2006. Prior to relocating to Phoenix, she performed medical chart audits for a major healthcare system in Milwaukee, WI. She has 15 years of experience in internal auditing. She also has experience in human resources and home health care within a hospital setting. Ms. Thiele is a member of the Arizona Chapter of the Association of Certified Fraud Examiners and has attended numerous auditing conferences and seminars, which has contributed to her overall knowledge of the audit process.

## Appendix C: Audit Summaries

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## Citizens Financial Condition Report ~ February 2012



The Citizens Financial Condition Report is based on the County's FY 2011 Comprehensive Annual Financial Report and summarizes the County's key financial information and trends. The report uses graphics for a highly visual, interesting, and understandable report for the benefit of elected officials, management, and the public. The report presents significant financial trends and national benchmark analyses.

### Highlights

- ◆ FY 2011 governmental fund revenues fell below expenditures
- ◆ The General Fund spendable (unrestricted) fund balance remained healthy
- ◆ Key County financial indicators compared very favorably to national benchmarks
- ◆ County net assets, an indicator of long term financial health, continued to increase
- ◆ State retirement plans covering County employees saw funding deficits continue to increase



## Clerk of the Superior Court Minimum Accounting Standards ~ July 2012



The Clerk of the Superior Court (COSC) performs cash collections and disbursements at various locations throughout Maricopa County. Our audit work was performed at the following COSC locations: Central Court Complex, Northeast Regional Center, South Court Tower, and Southeast Regional Facility.

### Highlights

- ◆ COSC was in compliance with 34 of 49 procedures (69%)
- ◆ Most exceptions were related to cash handling, reconciliations of financial records, and disbursements



## Contract: Court Tower Construction ~ April 2012



The Board of Supervisors approved the construction of the Maricopa County Downtown Court Tower through a series of Guaranteed Maximum Price contracts with Gilbane Building Company (Gilbane). The overall budget for the project was \$340 million. As of September 30, 2011, \$241 million was committed to the contracts with Gilbane. Under the direction of Internal Audit, the consulting firm of Moss Adams LLP reviewed expenditures charged under 11 construction contracts in various stages of completion.

### Highlights

- ◆ Construction controls could be improved for approving change orders and vendor charges
- ◆ Good construction practices observed included reviewing stored materials and project inventories, holding regular project status meetings, and communicating project information through website

## **Contract: Electronic Healthcare Services ~ August 2012**



In December 2010, the Office of Procurement Services issued a Request For Proposal (RFP) for Electronic Healthcare Services. The contract was to provide electronic health services to Maricopa County employees and their dependents that are enrolled in a County-sponsored medical plan. The purpose of this review was to determine whether certain RFP requirements for electronic healthcare services were met when the contract was awarded in May 2011.

### **Highlights**

- ◆ The successful bidder, MDLiveCare, did not provide a written guarantee that proper physician credentialing had been completed, as required
- ◆ MDLiveCare physicians did not appear to possess one of the Emergency Medicine qualifications, as required
- ◆ MDLiveCare physicians were all licensed in the State of Arizona
- ◆ Contract term was not inappropriately changed after the contract was awarded



## **Contract: Flood Control District Construction ~ April 2012**



The Board of Supervisors, serving as the Flood Control District (FCD) Board of Directors, approved the construction of the Camelback Road Storm Drain, 59th to 75th Avenues, through a Low Bid Lump Sum contract with T & T Construction, Inc. (T&T). The overall budget for the project was \$10.5 million, of which \$10.0 million was paid to T&T through September 30, 2011. Under the direction of Internal Audit, the consulting firm of Moss Adams LLP reviewed contract expenditures and project controls for the Camelback Road Storm Drain project.

### **Highlights**

- ◆ Construction controls could be improved for food expenditures, policies and procedures, safety plan, and insurance coverage
- ◆ Good construction practices observed included weekly meetings, detailed project status tracking, and public communication



## **Contract: Legal Arizona Workers Act ~ June 2012**



The Legal Arizona Workers Act went into effect in January 2008, and was amended in several respects in May 2008. The Act prohibits businesses from knowingly or intentionally hiring unauthorized aliens after December 31, 2007. The law also requires employers in Arizona to use the E-Verify system (a free Web-based service offered by the Federal Department of Homeland Security) to verify employment eligibility of all new employees hired after December 31, 2007. Under the Act, the County may bring suit against employers for knowingly hiring unauthorized aliens. Arizona Revised Statute § 41-4401 requires government entities to conduct random verifications to ensure that contractors/subcontractors are complying with the Act.

### **Highlight**

One contractor was randomly selected for review; no unauthorized employees were identified.

## **Contract: Office Depot ~ October 2012**



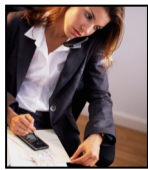
Maricopa County participated in a cooperative purchasing contract between the County of Los Angeles and Office Depot, Inc. for office supplies from January 2006 through December 2010. County expenditures to Office Depot totaled \$22.5 million during this period. We conducted this audit due to the total dollars expended, and the potential for significant overcharges if contract pricing terms were not adhered to. Our objective was to determine if pricing terms were properly applied during the County's participation in the contract.

### **Highlight**

The County was overcharged \$5,366,110 (actual and estimated overcharges, combined), due to Office Depot's failure to honor low-price guarantees. We recommended that the Office of Procurement Services work with the County Attorney's Office to obtain reimbursement in this amount, plus interest.

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## **Countywide Mobile Devices ~ July 2012**



Assessing mobile device risk assisted County leadership in determining how to deploy and use mobile technology safely. Internal Audit will also use this information to guide future audits. Mobile devices, such as laptops, mobile phones, and tablets, are popular tools that can improve productivity. The security of the County's network, however, is a high priority.

### **Highlights**

With the assistance of mobile device security consultants, we identified and ranked 18 County mobile device risk areas. Three of these areas were assessed as high risk:

- ◆ Tracking and support of non-County owned devices
- ◆ Monitoring the network
- ◆ Encrypting software and hardware

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## **Countywide Procurement ~ August 2012**



Maricopa County procures a wide variety of goods and services needed to support dozens of County agencies. In 1987, the County Board of Supervisors adopted the Maricopa County Procurement Code (P-Code) to facilitate County procurement. The P-Code outlines the requirements and related procedures that must be followed when procuring goods and services with public monies. The focus of this review was on Article 3 (non-construction) and Article 5 (construction) procurement types. In FY 2011, the County expended \$581 million on construction and non-construction procurements.

### **Highlights**

- ◆ The County does not have a reliable system to report total expenditures by contracts
- ◆ The Procurement Code was followed for procurements we reviewed
- ◆ Contracts do not always include required clauses for terms and conditions
- ◆ Policies and procedures over user access management were not developed for the procurement application
- ◆ Most vendors (83%) are satisfied with the County's procurement process

## Housing Authority of Maricopa County ~ August 2012



The Housing Authority of Maricopa County (HAMC) meets a wide range of affordable housing needs throughout the County. Core duties include managing the Housing Choice Voucher Program and the Public Housing Program. HAMC also administers a Capital Fund Program and the Resident Opportunities and Support Services Program. The County Board of Supervisors began sitting as HAMC's Board of Commissioners in December 2010.

### Highlights

- ◆ 35 of 54 U.S. Department of Housing and Urban Development recommendations need to be implemented and closed
- ◆ Financial administration practices need improvement
- ◆ HAMC has not complied with state unclaimed property laws
- ◆ User access controls need improvement to ensure access aligns with job responsibilities

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## Justice Courts Minimum Accounting Standards ~ February 2012



The Maricopa County Justice Court system has 25 courts at 12 locations. The Justice Courts handle criminal traffic, misdemeanor, and a variety of civil cases when the amount involved is \$10,000 or less. The Minimum Accounting Standards review is an Agreed-Upon Procedures engagement. The Administrative Office of the Arizona Supreme Court sets forth standard audit procedures to be conducted by an independent accountant every three years. The purpose of the engagement is to ensure that County justice courts maintain effective internal controls over financial accounting and reporting systems.

### Highlight

Most exceptions were related to cash handling, reconciliations of financial records, disbursements, segregation of duties, external reviews, and safeguarding of monies.

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## Payroll System Post Implementation Review ~ July 2012



Payroll is the County's largest expenditure at \$900 million annually. To increase efficiencies, County management implemented the new County Payroll System at a cost of \$15.6 million. Our review of the payroll system (called a post-implementation review) focused on whether the new system accurately and promptly processes payroll, and whether the County received the anticipated value for the new system.

### Highlights

- ◆ Controls over data accuracy and completeness appear to be effective
- ◆ Project management practices could be improved
- ◆ Formal policies and procedures for user access and sensitive information need to be developed
- ◆ Custom payroll reports need to be tested for accuracy

## Performance Measure Certification ~ July 2012



The Board of Supervisors adopted a performance measurement initiative called Managing for Results in FY 2001. We review agency-reported performance measures to ensure reported results are accurate and reliable. This year, we examined 43 performance measures from 5 County agencies.

### Highlights

- ◆ 22 of the 43 measures reviewed were certified (51%)
- ◆ Measures were not certified because of the lack of supporting documentation, inconsistencies between the measure definition and calculation, and inadequate procedures for collecting, measuring, and reporting performance
- ◆ The percent of certified measures increased from 38% in FY 2011

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## Planning and Development: Building Inspection Services ~ February 2012



Planning and Development is responsible for the planning, zoning, and building safety functions, including ensuring that construction is performed in conformance with adopted building codes. Our primary objective was to determine if internal controls are in place to ensure that building inspections are timely and effective.

### Highlights

- ◆ Building inspections are performed timely
- ◆ Inspection requirements are undefined
- ◆ Inspector qualifications are not properly verified
- ◆ IT user account and security management processes need improvement

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## Sheriff's Office Data Center Review ~ March 2012

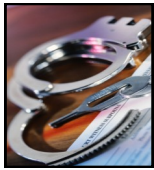


Our objective was to determine if data center controls provide reasonable assurance that access to computer resources (data, equipment, and facilities) is appropriate and restricted to authorized individuals. We reviewed 81 key data center controls in six categories (physical security, environmental controls, backup and restoration, equipment protection, data center operations, and disaster recovery planning). This audit was a carryover from the FY 2009 audit plan.

### Highlights

- ◆ 82% of the data center controls tested complied with recommended standards
- ◆ Physical security, environmental controls, backup and restoration, data center operations, and disaster recovery planning could be improved

## Sheriff's Office Jail Management System ~ May 2012



The Jail Management System (JMS) is critical to jail operations. JMS is the primary computer system used by the Sheriff's Office to manage jail operations and inmates. JMS includes information on booking, fingerprinting, food services, housing, transportation, health, inmate property, and bonding. JMS processes approximately 105 million transactions per year. This audit was a carryover from the FY 2009 audit plan.

### Highlights

- ◆ The IT control environment generally aligns with industry standards
- ◆ An IT strategic plan and project management processes has not been adopted
- ◆ JMS policies and procedures need to be formalized

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## Sheriff's Office Patrol Service Agreements ~ July 2012



The Sheriff's Office Patrol Service Agreements generate \$10 million in County revenues annually. The purpose of this review was to determine the extent of the Sheriff's Office financial accountability and compliance with these agreements. The audit focused on controls over pricing calculations, cost recovery, revenue collections, level of service, and compliance with statutes and policies.

### Highlights

- ◆ Patrol charges reasonably reflect agreed-upon costs but lack consistency
- ◆ The actual cost to provide services is not sufficiently tracked
- ◆ The Sheriff's Office is not recovering all Stadium District costs

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## Sheriff's Office Payroll ~ July 2012



The Sheriff's Office is a 24/7 law enforcement and detention operation with approximately 3,550 employees. Payroll was reviewed because it is the largest expenditure in the Sheriff's Office budget, and a \$100 million funding issue was identified in FY 2011. In addition, the new Countywide payroll system (ADP) significantly changed processing procedures.

### Highlights

- ◆ Use of correct funding source has improved
- ◆ Supervisors are not always approving employee's time
- ◆ Payroll is mostly accurate

## Sheriff's Office Risk Assessment ~ January 2012



We engaged KPMG to assist us in performing a risk assessment of the Sheriff's Office to identify key functions and gain an understanding of the key risks that may prevent the Sheriff's Office from achieving its objectives. We interviewed 36 Sheriff's Office personnel, reviewed policies, observed processes while conducting facility tours, and obtained input from other County agencies. We used the information to assign risk levels of high, medium, or low based on the area's significance and the likelihood of an adverse event occurring.

### Highlight

We assigned a risk ranking to 30 key functions and 13 were rated high risk. Based on the risk assessment results, Internal Audit has prepared an audit plan through FY 2016.

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## Sheriff's Office Vehicle Usage Review ~ December 2011



This review focused on the Sheriff's Office compliance with vehicle-related policies, and was originally scheduled as part of the Countywide Vehicle Usage Audit from FY 2010. In that Countywide audit, we reviewed driver accountability and fleet management; this review completes that work. In addition to Internal Audit's review, the Sheriff's Office and County management are conducting a vehicle utilization review within the Sheriff's Office.

### Highlights

- ◆ Adherence to certain provisions in policies guiding employee use of vehicles for County business needs to be strengthened
- ◆ Employees are not required to provide proof of insurance prior to driving private vehicles on County business
- ◆ Some employees were reimbursed for mileage without a current County Vehicle Use Permit
- ◆ Justification for County vehicles taken home overnight is not documented

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## Single Audit—Grant Compliance Review ~ July 2012



In 1984, the United States Congress passed the Single Audit Act. The Federal Office of Management and Budget implemented the Single Audit Act. Currently, non-federal entities that expend \$500,000 or more in federal assistance during a fiscal year are required to undergo a comprehensive financial and compliance audit each year (Single Audit) by an independent auditor.

In our annual compliance reviews for federal grant funds distributed through Maricopa County to various subrecipients, we examined the audited financial and grant compliance reports of 68 federal grant subrecipients (\$46.6 million) to determine compliance with the Single Audit Act.

### Highlights

- ◆ 40 of 41 subrecipients included in our review complied with Single Audit Act requirements.
- ◆ 42 of 68 reports contained 121 findings, with 37 material weaknesses related to federal grant compliance or internal controls. However, the findings reported by the independent auditors do not appear to impact funds passed through by the County.

## Appendix D: Other Projects

### **Detention Fund**

Based on the recommendation of the Board of Supervisors, the Office of Management and Budget (OMB) initiated a task force in FY 2011 consisting of members from the Department of Finance, Internal Audit, and OMB to provide assistance in determining the amount of potential misspending that occurred between the County's General and Detention Funds from January 2004 to March 2011. The objective was limited to calculating the amount of the Sheriff's Office payroll misspending. Other funds (Inmate Services and Grant) were also included in the analysis. In FY 2012, we continued our work and reviewed payroll for the time period of April 2011 to June 2011.

### **Audit Follow-Up**

The goal of Internal Audit is to increase the overall effectiveness of County operations and procedures. Audit recommendations for improvement become meaningful only when needed changes are recognized and implemented by clients. Following up on audit recommendations is an integral part of the audit process.

On a regular basis, Internal Audit sends a Status Report Request to clients with open audit recommendations. This process may also include site visits, interviews, phone calls, or a review of additional documentation. When all recommendations for an audit have been implemented, a closing memo is sent to the client.

### **Risk Assessment / Audit Planning**

Effective internal auditing is based on systematically reviewing an organization's operations at intervals commensurate with associated risks. The annual risk-assessment process produces an audit plan that maximizes audit coverage and minimizes risk. Auditing every County activity on a regular basis would not be cost effective; therefore, Internal Audit uses an annual risk assessment, along with professional judgment, to ensure resources are focused on high-risk areas.

## Appendix E: Audit Impact

Some audits have an immediate impact while others yield organizational benefits over time. Some recommendations have a measurable financial impact (e.g., increased revenues, cost recoveries) while others add value over time (e.g., operational efficiencies, improved controls, decreased risk of fraud, waste, and abuse). The audits below illustrate this.

### **FY 2007 to FY 2012 - Contracts**

Each year our audit plan includes contract audits. Over six years, we identified \$7,721,178 in potential recoveries and identified savings, an average of \$1,286,863 per year.

### **FY 2011 - National Impact**

In FY 2011, we found how far reaching our audits can be as a federal bulletin quoted issues from our FY 2007 Treasurer's audit report.

### **FY 2010 - Countywide Vehicle Usage**

We identified 21 separate County policies and found that (a) many are outdated and are not effectively communicated, and (b) some agencies tasked with enforcing the policies do not have sufficient authority to do so. Greater oversight is needed to ensure the fleet is properly sized and effectively utilized. We estimate that approximately \$292,000 could be saved by expanding the fleet, given excessive employee mileage reimbursements at ten agencies. In addition, the County could save nearly \$2,500 in fuel costs by using County fuel stations more effectively. The County Manager has established a task force to address our findings and implement our recommendations.

### **FY 2009 - Licenses, Fees, and Permits**

We found that agency user fee reviews are not timely or effective, Countywide user fee studies are infrequent, and the gap between fee revenues and expenditures has increased significantly in the past 10 years. At the direction of the County Manager, the Department of Finance assembled a team to address our findings, and an outside consultant was hired to assist in implementing our recommendations. We estimate that fee revenues could increase by more than \$1 million annually.

### **FY 2009 - Employee Health Initiatives**

We found that benefit costs could be reduced by verifying dependent eligibility at open enrollment and during new employee hiring. Research shows the County could save between \$1.6 and \$3.3 million in the first year by verifying dependent eligibility. Our recommendations were implemented and new and existing employees with dependent additions are now required to submit documentation.

### **FY 2008 - Justice Court Administration**

We found that collection activities were not clearly defined and monitoring activities were not well documented. We shared our observations with court administrators. Subsequently, in April 2010, the Justice Courts began sending out notices to collect unpaid tickets as far back as the early 1980s. The Justice Courts have recovered millions in unpaid fees and sanctions by sending out thousands of letters to those with unpaid fines.

## Appendix F: Audit Committee Biographies

### **Ralph Lamoreaux, Chairperson, District I**

Ralph Lamoreaux, CPA, has a master of business administration degree from the University of Utah and a bachelor's degree in accounting from Southern Utah University. He worked for the U.S. Government Accountability Office (GAO) for 33 years. Mr. Lamoreaux was involved in audits of many federal departments and agencies. He retired from GAO in July 2000.

### **Janet L. Secor, District II**

Janet L. Secor, CIA, has 20 years of internal auditing experience: nine years in Washington, D.C. at the GAO and ten years as the City of Scottsdale's Assistant City Auditor. She consulted for the Maricopa County Internal Audit for over two years. She is past president of the Arizona Local Government Auditors Association, and served as the Government Relations Chairman of the local chapter of the Institute of Internal Auditors. Ms. Secor is retired.

### **Matthew E. Breecher, District III**

Matthew E. Breecher, CPA, CISM, CISA, is an accounting and information systems specialist, with over 17 years professional experience. He currently provides information technology and management advisory services to local Arizona governments and small-to-medium businesses. Mr. Breecher is the managing partner of Breecher & Company, PC, a Phoenix-based professional services firm and a shareholder in Assurance Professionals, PC, a Scottsdale-based public accounting firm.

### **Ramon A. Ramirez III, District IV**

Ramon A Ramirez III, CIA, has over 30 years of internal auditing experience. He established the City of Surprise's Internal Audit function 2 years ago and has 21 plus years of municipal audit experience which includes 17 years with the City of Scottsdale and 3 years with the City of Chandler. He conducted congressional audits while working for the GAO for 8 years. He also has experience verifying the accuracy and appropriateness of defense contractor costs submitted for reimbursement to the Department of Defense.

### **Jay Zsorey, Financial Audit Director, Office of Auditor General**

Jay Zsorey, CPA, graduated from the University of Nevada and is the financial audit director of the Arizona Office of the Auditor General. During his career, Mr. Zsorey has managed the audits of many governmental entities in Arizona and was the audit manager for the annual financial statement and compliance audit of Maricopa County. He has extensive knowledge of government finance and governmental financial reporting requirements.

### **David H. Benton, Deputy County Attorney, Maricopa County Attorney's Office**

### **Shelby Scharbach, Assistant County Manager**

Shelby Scharbach, CPA, CGFM, has a bachelor's degree in accounting and a master's degree in public administration. Ms. Scharbach joined the Maricopa County Department of Finance in 1993, served as Deputy Finance Director from 2000-2008, was appointed Chief Financial Officer in 2009, and is currently an Assistant County Manager. She serves on the National Association of Counties Financial Services Advisory Committee and is the appointee to the Public Finance Authority. She is Chair of the Maricopa County Deferred Compensation Committee, President of the Maricopa County Public Finance Corporation, and serves on the Board of Directors for the International Genomics Consortium.

## Appendix G: Citizen's Audit Advisory Committee Charter

The committee's primary function is to assist the board of supervisors in fulfilling its oversight responsibilities. The committee accomplishes this function by reviewing the County's financial information, the established systems of internal controls, and the audit process.

*In meeting its responsibilities, the committee shall perform the duties outlined below.*

1. Provide an open avenue of communication between the county auditor, the auditor general, and the board of supervisors.
2. Review the committee's charter annually and seek board approval on any recommended changes.
3. Inquire of management, the county auditor, and the auditor general about significant risks or exposures and assess the steps management has taken to minimize such risks to the county.
4. Consider and review the audit scope and plan of the county auditor, and receive regular updates on the auditor general's county audit activities.
5. Review with the county auditor and the auditor general the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources including external auditors and consulting activities.
6. Consider and review with the county auditor and the auditor general:
  - a. The adequacy of the county's internal controls including computerized information system controls and security.
  - b. Any related significant findings and recommendations of the auditor general and the county auditor together with management's responses thereto.
7. At the completion of the auditor general's annual examination, the committee shall review the following:
  - a. The county's annual financial statements and related footnotes.
  - b. The auditor general's audit of the financial statements and report thereon.
  - c. Any serious difficulties or other matters related to the conduct of the audit that need to be communicated to the committee.

8. Consider and review with management and the county auditor:
  - a. Significant audit findings during the year and management's responses thereto.
  - b. Any difficulties encountered during their audits, including any restrictions on the scope of their work or access to required information.
  - c. Any changes required in the planned scope of their audit plan.
  - d. The internal audit department's budget and staffing.
  - e. The internal audit department's charter.
  - f. The internal audit department's overall performance and its compliance with accepted standards for the professional practice of internal auditing.
9. Report committee actions to the board of supervisors with such recommendations as the committee may deem appropriate.
10. Prepare a letter for inclusion in the annual report that describes the committee's composition and responsibilities, and how they were discharged.
11. The committee shall meet at least four times per year or more frequently as circumstances require. The committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. Committee meetings are subject to the Open Meeting Law (A.R.S. § 38-431).
12. The committee shall perform such other functions as assigned by the board of supervisors.

### **Committee Composition and Terms**

The membership of the committee shall consist of five voting members and three non-voting members. The voting members shall be board of supervisor appointees from the public and shall serve two-year terms. The non-voting members shall be the county's chief financial officer, the county attorney, the auditor general, or their designees. The chairman of the board of supervisors shall appoint a committee chairman from the voting members. The committee chairman shall serve a one-year term.

### **Member Qualifications**

Committee members must have an understanding of financial reporting, accounting, or auditing. This understanding can be demonstrated through educational degrees (BS, MBA, PhD) and professional certifications (CPA, CMA, CIA), or through experience in managing an organization of more than 25 employees or \$20M in revenues. Committee members should be familiar with local government operations and should have sufficient time to effectively perform the duties listed herein.

Adopted by the Board of Supervisors—3/26/97

Last Amended—6/26/02

## Appendix H: Internal Audit Charter

### **Purpose**

The Maricopa County Board of Supervisors (Board) hereby establishes the Maricopa County Internal Audit Department. The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations so the Board and management can make informed decisions to better serve County citizens.

### **Responsibility**

County management has primary responsibility for establishing and maintaining an effective system of internal controls. Internal Audit evaluates the adequacy of the internal control environment, the operating environment, related accounting, financial, and operational policies, and reports the results accordingly.

### **Authority and Access**

Internal Audit is established by the powers granted to the Board in A.R.S. § 11-251. The Board is authorized to supervise the official conduct of all County officers, to see that such officers faithfully perform their duties, and present their books and accounts for inspection (A.R.S. § 11-251.1). The Board is also authorized to perform all other acts and things necessary to fully discharge its duties (A.R.S. § 11-251.30). Internal Audit will report directly to the Board, with an advisory reporting relationship to the Board-Appointed Citizen's Audit Advisory Committee. In addition, the County Auditor will meet, as needed, with an oversight committee comprised of the County Administrative Officer and two Board members appointed by the Board Chairman. While conducting approved audit work, Internal Audit will have complete access (except where restricted by legal privilege) to all County property, records, information, and personnel.

### **Premise and Objectives**

Internal Audit's basic premise is that County resources are to be applied efficiently, economically, and effectively to achieve the purposes for which the resources were furnished. This premise is incorporated in the following four objectives:

#### A. Compliance with Laws and Regulations

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure identification of and compliance with applicable laws and regulations.

#### B. Effective Program Operations

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that programs meet their goals and objectives.

### C. Validity and Reliability of Data

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that valid and reliable data are obtained, maintained, and fairly disclosed.

### D. Safeguarding of Resources

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that resources are safeguarded against waste, loss, and misuse.

## **Independence**

The Internal Audit Department will remain outside the control of management. Internal Audit employees will have no direct responsibility for, or authority over, any of the activities, functions, or tasks reviewed by the department. Accordingly, Internal Audit staff should not develop or write policies and procedures that they may later be called upon to evaluate. They may review draft materials developed by management for propriety and completeness. However, ownership of and responsibility for these materials will remain with management.

## **Audit Standards and Ethics**

Internal Audit will adhere to applicable industry standards and codes of ethics issued by authoritative sources (such as those issued by the Institute of Internal Auditors and the U.S. General Accounting Office). Each member of the department is expected to consistently demonstrate high standards of conduct and ethics as well as appropriate judgment and discretion.

## **Audit Planning**

The County Auditor will prepare an annual audit plan that will be reviewed by the Citizen's Audit Advisory Committee and approved by the Board. Additions, deletions, or deferrals to the annual audit plan will also be approved by the Board.

## **Follow-Up**

Internal Audit will follow up on the status of its report recommendations on a regular basis.

*Adopted by the Board of Supervisors—6/11/97*

*Last Amended—12/18/02*

## Appendix I: Internal Audit Profile



### Definition

Internal auditing is an independent, objective assurance and consulting activity that adds value and improves operations. Internal auditing helps an organization reach objectives by bringing a systematic, disciplined approach to improve the effectiveness of risk management, control, and governance processes.

### Our Value Statement (Motto)

Do the Right Things Right!

### Our Mission

The mission of the Internal Audit Department is to provide objective information on the County's system of internal controls to the Board of Supervisors so they can make informed decisions and protect the interests of County citizens.

### Our Vision

To promote the effective, efficient, economical, and ethical use of public resources.

### Our History

The Board of Supervisors appointed the first County Auditor in 1978 and established an internal audit function. In 1994, the Board of Supervisors created a Citizen's Audit Advisory Committee comprised of private citizens and County officials. (See Appendix G, page 35, for charter.) In 1997, the Board of Supervisors formalized the County's internal audit function by adopting a department charter, which was amended in December 2002. (See Appendix H, page 37, for charter.)

### Citizen's Audit Advisory Committee (Audit Committee)

The Board Appointed Citizen's Audit Advisory Committee supports further strengthening of the County's Internal Audit Department. This committee, comprised of accounting and business professionals, actively engages in analyzing risk throughout the County and making recommendations. This committee is an important link between the Board of Supervisors and the County's auditors, both internal and external. The Maricopa County Citizen's Audit Advisory Committee meets regularly to review and comment on audit reports, County financial statements, and other audit information (audit plan, special requests, etc.).

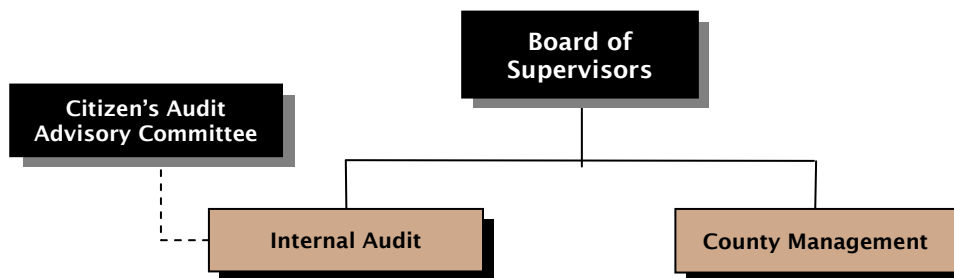
### Organizational Independence

Auditors should be removed from organizational and political pressures to ensure objectivity. As our charter designates, the Maricopa County Internal Audit Department reports directly to an elected Board of Supervisors, thereby establishing an effective level of independence from management. This structure provides the Board of Supervisors with a direct line of

communication to Internal Audit and provides assurance that County officials cannot influence the nature or scope of audit work performed.

Government Auditing Standards support locating internal audit departments outside the management function in order to encourage independence. Routine meetings with an independent audit committee further enhance independence.

## Reporting Structure of the Internal Audit Department



### Resources

A fully staffed, professional Internal Audit Department provides value-added services to the County. Each year, Internal Audit analyzes and adapts its resources to meet upcoming County auditing and consulting needs. To provide flexibility and diversified strength, the audit staff has broad-range education and experience in various audit areas: accounting, contracts, finance, performance evaluation, information systems, and management services. Each audit is performed by a team that collectively possesses the necessary knowledge and skills to fit the assignment.

Government operations are inherently complex; certain functions cannot be properly reviewed without specialized expertise. Hiring a wide variety of staff specialists, however, would not be cost effective. While Internal Audit has invested in qualified internal staff, it has also reserved resources for specialized contractors. In FY 2012, \$360,000 was budgeted for this purpose. This partnership (called “co-sourcing”) provides the County with the collective expertise required by Government Auditing Standards at an affordable price.

### Professional Internal Audit Staff

Internal Audit staff members have extensive knowledge of auditing methods and techniques, plus specialized training in information technology and accounting. (See Appendix B, page 19, for biographies.) Each auditor is responsible for maintaining Government Auditing Standards requirements of 80 continuing education hours every two years; 24 hours must be directly related to government operations.

### Who Audits the Auditors? (Peer Review)

An independent audit firm conducts a peer review of Internal Audit every three years, as required by national Government Auditing Standards. The Maricopa County Citizen’s Audit Advisory Committee oversees these reviews. The FY 2000, FY 2003, FY 2006, FY 2009, and FY 2012 reviews by a local CPA firm were positive and showed no findings.

## **Maricopa County Internal Audit**

301 W. Jefferson, Suite 660  
Phoenix, AZ 85003 ~ 2148

Telephone: 602 ~ 506 ~ 1585

Facsimile: 602 ~ 506 ~ 8957

E-mail: [Thielew@mail.maricopa.gov](mailto:Thielew@mail.maricopa.gov)

Visit our website @  
[www.maricopa.gov/internal\\_audit](http://www.maricopa.gov/internal_audit)

Follow us on...



### **Annual Report Project Members**

Richard Chard, CPA, Deputy County Auditor  
Carla Harris, CPA, CIA, CFE, Audit Supervisor  
Kimmie Wong, MPA, Senior Auditor  
Jenny Eng, Associate Auditor



### **Internal Audit's Mission**

To provide objective information on the County's system of internal controls to the Board of Supervisors so they can make informed decisions and protect the interests of County citizens

### **Vision**

To facilitate positive change throughout the County

### **Value Statement**

To promote the effective, efficient, economical, and ethical use of public resources

### **Motto**

Do the Right Things Right!

